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INTRODUCTION

The Office of Internal Audit performed an audit of Ingham County FIA for the period October 1, 1998 through July 30, 1999. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Ingham County FIA had 287 full time equated positions (FTE's) at the time of our review. Ingham County FIA provided assistance to an average 22,953 recipients per month during FY 1998, with total assistance payments of \$33,331,408 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Ingham County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts	Cash Disbursements
Accounts Receivable	General Ledger
Modified Accrual Basis Balance Sheet	Safe and Controlled Docume
Medical Transportation	CIS Input/Output Controls
State Emergency Relief (SER)	Telephone Usage
IRS Information Security	

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Ingham County FIA internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. We did, however, find a few instances of noncompliance with FIA policies and procedures which are detailed below.

LOCAL OFFICE RESPONSE

The management of Ingham County FIA has reviewed all findings and recommendations included in this report. They indicated in correspondence dated March 7, 2000, that they are in general agreement with the report.

FINDINGS AND RECOMMENDATIONS

Accounts Receivable

Collection Efforts

1. Ingham County FIA had not made any collection efforts for one year. Accounting Manual Item 481.2 requires that collection letters be sent and that uncollectible accounts be referred to the Department of Treasury for Income Tax stops. Sending collection letters and referring uncollectible accounts to the Department of Treasury helps to ensure that FIA collects the maximum amount possible on its accounts receivable.

WE RECOMMEND Ingham County FIA send collection letters on accounts receivable and refer uncollectible accounts to the Department of Treasury.

ENP Payments

Supporting Documentation for Payments

2. Ingham County FIA did not attach an invoice or bill to the Authorization/Invoice (FIA-849) for ENP payments. Also, the Authorization/Invoice was not stamped "PAID". Accounting Manual Item 404 requires that a bill or invoice be attached to the payment authorization document. An attached bill or vendor invoice provides assurance that payments made are proper and correct. Stamping the payment authorization document and the supporting documents "PAID" helps prevent duplicate payments.

WE RECOMMEND Ingham County FIA attach a bill or vendor invoice to all payment authorization documents and stamp all authorization documents and supporting documents "PAID".

IRS Information Security

Designated Staff Person

3. Ingham County FIA did not have a Designated Staff Person (DSP) for handling confidential information received from the Internal Revenue Service (IRS), as required by Program Administrative Manual (PAM) Item 800. A DSP is necessary to ensure that information received from the IRS is kept confidential. Breach of confidentiality could result in the department being denied access to IRS information.

WE RECOMMEND that Ingham County FIA appoint a Designate Staff Person to handle confidential information received from the IRS.

CIS Input/Output Controls

CIS Status Codes

4. Accounting staff at Ingham County FIA had an FLM status code on the Client Information System (CIS). This status code allows accounting staff to make changes to client cases and then process payments to those same cases.

WE RECOMMEND that Ingham County FIA change or modify the CIS status codes of the accounting staff.